

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 NEA-10 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 ACDA-19 IO-14 SCEM-02 EB-11 INT-08

COME-00 SCI-06 OMB-01 TRSE-00 AF-10 DRC-01 SAJ-01

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R 290105Z NOV 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5090

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LUXEMBOURG

AMEMBASSY LONDON

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION EC BRUSSELS UNN

USMISSION USNATO

C O N F I D E N T I A L PARIS 30562

E.O. 11652: GDS

TAGS: ENRG, FR

SUBJECT: GOF PETROLEUM ACTIONS

DEPT: PASS MINIMIZE POSTS AS APPROPRIATE

SUMMARY: FRENCH OIL POLICY CONTINUES IN ATTEMPT TO STRADDLE
CONTRADICTION OF SPECIAL POSITION WITH ARABS AND NEEDS OF EUROPEAN
PARTNERS. IN FACE OF DEVELOPING SUPPLY PROBLEMS AND CONTINUED HARD
LINE OF ARABS, HOWEVER, THIS POLICY BEING INCREASINGLY QUESTIONED
AND GOF MAY HAVE TO REVISE ITS STRATEGY. GOVERNMENT WILL ANNOUNCE
NEW PETROLEUM ECONOMY MEASURES TOMORROW (NOV. 30), BUT WE EXPECT
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THEY WILL CONTINUE TO MINIMAL IN NATURE. END SUMMARY

1. BACK-TO-BACK VISITS TO PARIS OVER RECENT DAYS OF LIBYA'S QADHAFI, OAPEC SPOKESMEN YAMANI OF SAUDI ARABIA AND ABDESSELAM OF ALGERIA, AS WELL AS CHANCELLOR BRANDT, HAVE EMPHASIZED BASIC DILEMA FOR GOF SINCE ANNOUNCEMENT OF ARAB OIL EMBARGO: THAT IS, CONTRADICTION

ON THE ONE HAND BETWEEN ITS EFFORTS TO CASH IN ON ITS PRO ARAB MIDDLE EAST POLICY, AND ON THE OTHER HAND, ITS REQUIREMENT TO ACT IN THE INTEREST OF EUROPEAN SOLIDARITY. GOF HAS SOUGHT OVER PAST WEEKS TO AVOID POSITION IN WHICH IT WOULD BE FORCED TO CHOOSE BETWEEN THESE TWO ELEMENTS OF ITS POLICY. ITS STRATEGY HAS BEEN TO TAKE ADVANTAGE OF ITS PREFERRED SUPPLY POSITION FOR AS LONG AS POSSIBLE (COUNTING ON ITS CONTROL OVER DOMESTIC OIL INDUSTRY, PLUS GOOD STOCK LEVELS, TO KEEP SITUATION UNDER CONTROL OVER WINTER), TO DEFLECT CALLS FOR FORMAL EC OR OECD OIL SHARING BY POLITICAL EFFORTS DESIGNED TO RELAX ARAB RESTRICTIONS, AND TO HOPE THAT INTERNATIONAL PEACE EFFORTS WILL ALLOW RESUMPTION OF MORE NORMAL SUPPLY PATTERNS LATER IN 1974.

2. THERE ARE GROWING INDICATIONS THAT CONTRADICTIONS INHERENT IN THIS GOF STRATEGY MAY FORCE ITS REVISION UNDER PRESSURE OF EVENTS. IN SPITE

OF ITS CONTINUED OPTIMISM, AT LEAST IN PUBLIC, GOF MAY HAVE INCREASING

DIFFICULTIES IN ASSURING ITS PETROLEUM SUPPLIES OVER COMING MONTHS (SEE PARAS 4 AND 5 BELOW). AT SAME TIME, FRENCH (AND THROUGH FRENCH. EC) EFFORTS WITH ARABS HAVE BROUGHT MINIMAL RESULTS. EVEN GOF HAS NOT BEEN ABLE TO FIND MUCH SATISFACTION IN OAPEC DECISION TO EXEMPT EC

GOVERNMENTS (LESS HOLLAND) FROM NEXT 5 PERCENT CUT. NOR DID RECENT ARAB VISITORS GIVE GOF MUCH REASON TO HOPE FOR RELAXATION OF ARAB CUT

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BACKS, THE IMPRESSION GAINED FROM THE PRESS AND OUR INITIAL SOUNDINGS IS

THAT THE ARAB SPOKESMAN SUCCEEDED IN CARRYING THE ARGUMENT TO THE GOF FOR MORE SUPPORT, AND MORE PRESSURE ON THE U.S. (SEPTEL), GOF EFFORTS TO "TALK SENSE" TO ARABS, WHILE STRENUOUS, DID NOT APPEAR TO MAKE MUCH HEADWAY. WE UNDERSTAND THE FRENCH WARNED QADHAFI. YAMANI AND ABDESSELAM AGAINST PROVOKING EUROPEAN REACTIONS AGAINST THEIR OIL ALLOCATION POLICIES, WHILE JOBERT APPARENTLY MAINTAINED CONFIDENTIAL

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THAT EUROPE'S UNITY WAS OF SUCH POTENTIAL IMPORTANCE TO THE ARABS THAT THEY SHOULD NOT TRY TO DIVIDE THE EC-9 BY DISCRIMINATORY TREATMENT. AT THE SAME TIME--AND INDICATIVE OF THE CONTRADICTIONS OF GOF POLICY--GOF CERTAINLY FOUND WAYS OF EXPLOITING THESE VISITS TO GAIN OPTIMUM SUPPLY ASSURANCES FOR ITSELF.

3. DUTCH AND GERMANS CLEARLY ARE ANXIOUS OVER LACK OF RESULTS TO DATE FROM EC'S NOV. 6 STATEMENT, AND ARE BEGINNING TO PRESS GOF FOR MORE

EUROPEAN POSITION. CHANCELLOR BRANDT'S CALL FOR EC SOLIDARITY ON ENERGY MATTERS IS A CLEAR INDICATION THAT GOF CANNOT AVOID MAKING CHOICES INDEFINITELY. EC CONSULTATIVE PROCEDURES AGREED ON IN PRINCIPLE AT BRANDT-POMPIDOU SUMMIT, ARE UNDOUBTEDLY FIRST STEP IN DIRECTION OF CLOSER EC COOPERATION.

4. FRANCE REMAINS ONLY EC COUNTRY WHICH HAS NOT TAKEN SERIOUS MEASURE TO RESTRICT PETROLEUM CONSUMPTION. WHILE ACKNOWLEDGING THAT SUPPLIES WILL FALL 8-10 PERCENT BELOW PROJECTED NEEDS BY JANUARY

, GOF OFFICIALS HAVE CONTINUED TO OOOZE OPTIMISM AND HAVE INDICATED THAT SHORTFALLS CAN BE MET BY MODEST STOCK DRAWDOWNS AND ECONOMY STEPS. THIS POSTURE OF GOF HAS HOWEVER BEEN CRITICIZED TO US BY NUMBER OF WORKING-LEVEL OFFICIALS, AS WELL AS OIL COMPANY EXECUTIVES, AND OPENLY BY GROWING PROPORTION OF PARLIAMENTARIANS AND PRESS (INDEPENDENT AS WELL AS OPPOSITON). MANY OBSERVERS ARE PUZZLED BY APPARENT GOF COMPLACENCY IN FACE OF GROWING EVIDENCE THAT (A) OIL SHORTAGE WILL NOT GO AWAY IN SHORT RUN, AND (B) FRANCE CANNOT REMAIN ISOLATED ON ENERGY-SHORT CONTINENT (SOME FRENCH PETROCHEMICAL PLANTS ALREADY FORCED TO SLOW DOWN OR EVEN SUSPEND PRODUCTION DUE TO RAW MATERIALS SHORTAGES). WHILE GOF MAY UNDERSTANDABLY BE ANXIOUS TO DEFEND THE BENEFITS FLOWING FROM ITS ME POLICY, OR TO AVOID NEW DOMESTIC DIFFICULTIES WHICH CONSUMPTION-DAMPENING EFFORTS MIGHT SET OFF, ITS SMUG ATTITUDE HOLDS DANGER OF BACKFIRING WHEN AND
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